

**§714.5 What is required if you rely on an estimated residual value greater than 25% of the original cost of the leased property?**

If the amount of the estimated residual value you rely upon to satisfy the full payout lease requirement of §714.4(b) exceeds 25% of the original cost of the leased property, a financially capable party must guarantee the excess. The guarantor may be the manufacturer. The guarantor may also be an insurance company with an A.M. Best rating of at least a B+, or with at least the equivalent of an A.M. Best B+ rating from another major rating company. You must obtain or have on file financial documentation demonstrating that the guarantor has the resources to meet the guarantee.

**§714.6 Are you required to retain salvage powers over the leased property?**

You must retain salvage powers over the leased property. Salvage powers protect you from a loss and provide you with the power to take action if there is an unanticipated change in conditions that threatens your financial position by significantly increasing your exposure to risk. Salvage powers allow you:

(a) As the owner and lessor, to take reasonable and appropriate action to salvage or protect the value of the property or your interests arising under the lease; or

(b) As the assignee of a lease, to become the owner and lessor of the leased property pursuant to your contractual rights, or take any reasonable and appropriate action to salvage or protect the value of the property or your interests arising under the lease.

**§714.7 What are the insurance requirements applicable to leasing?**

(a) You must maintain a contingent liability insurance policy with an endorsement for leasing or be named as the co-insured if you do not own the leased property. Contingent liability insurance protects you should you be sued as the owner of the leased property. You must use an insurance company with a nationally recognized industry rating of at least a B+.

(b) Your member must carry the normal liability and property insurance on the leased property. You must be named as an additional insured on the liability insurance policy and as the loss payee on the property insurance policy.

**§714.8 Are the early payment provisions, or interest rate provisions, applicable in leasing arrangements?**

You are not subject to the early payment provisions set forth in §701.21(c)(6) of this chapter. You are also not subject to the interest rate provisions in §701.21(c)(7).

**§714.9 Are indirect leasing arrangements subject to the purchase of eligible obligation limit set forth in §701.23 of this chapter?**

Your indirect leasing arrangements are not subject to the eligible obligation limit if they satisfy the provisions of §701.23(b)(3)(iv) that require that you make the final underwriting decision and that the lease contract is assigned to you very soon after it is signed by the member and the dealer or leasing company.

**§714.10 What other laws must you comply with when engaged in leasing?**

You must comply with the Consumer Leasing Act, 15 U.S.C. 1667–67f, and its implementing regulation, Regulation M, 12 CFR part 213. You must comply with state laws on consumer leasing, but only to the extent that the state leasing laws are consistent with the Consumer Leasing Act, 15 U.S.C. 1667e, or provide the member with greater protections or benefits than the Consumer Leasing Act. You are also subject to the lending rules set forth in §701.21 of this chapter, except as provided in §714.8 and §714.9 of this part. The lending rules in §701.21 address the preemption of other state and federal laws that impact on credit transactions.

**PART 715—SUPERVISORY COMMITTEE AUDITS AND VERIFICATIONS**

Sec.

715.1 Scope of this part.